

## Message Text

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FOLLOWING REPEAT MOSCOW 4794 SENT ACTION SECSTATE INFO ATHENS  
BONN, BRUSSELS, EC BRUSSELS, COPENHAGEN, HAMBURG, LONDON, OSLO,  
PARIS, OECD PARIS, ROME, STOCKHOLM, THE HAGUE, TOKYO 08 APR 77

QUOTE LIMITED OFFICIAL USE MOSCOW 4794

DEPT PASS FEDERAL MARITIME COMMISSION

E.O. 11652: N/A

TAGS: OVIP (BAKKE, KARL E.) EEWT, EWWT, UR

SUBJECT: US-SOVIET LINER CARRIAGE DISCUSSIONS

1. FEDERAL MARITIME COMMISSION CHAIRMAN BAKKE, ACCOMPANIED  
BY COUNSELOR BAYER AND EMBASSY E/C COUNSELOR, CALLED AT  
SOVIET MINISTRY OF THE MARITIME FLEET APRIL 7 FOR DISCUSSION  
OF LINER CARRIAGE DEVELOPMENTS SINCE LENINGRAD MEMORANDUM  
OF UNDERSTANDING OF JULY, 1976. BAKKE MET WITH IGOR AVERIN,  
CHIEF OF INTERNATIONAL RELATIONS DEPARTMENT, AND SUBSEQUENTLY  
WITH FIRST DEPUTY MINISTER VLADIMIR TIKHONOV, WHO IN  
ABSENCE OF MINISTER GUZHENKO (TRAVELING IN SOVIET ASIA)

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HOSTED LUNCH IN BAKKE'S HONOR. FOLLOWING REPORTS DISCUSSION  
ON APRIL 7.

2. BAKKE EXPLAINED RECENT ACTION OF FMC IN ISSUING ORDER  
SETTING DOWN FOR HEARING TWO PROPOSED AMENDMENTS TO CON-  
FERENCE AGREEMENTS (STATE 075862), EMPHASIZING THAT PRIN-  
CIPLES OF LENINGRAD MEMORANDUM OF UNDERSTANDING WERE NOT

BEING QUESTIONED. MATTER TO BE DETERMINED, HE EXPLAINED, IS WHETHER THERE IS ADEQUATE ECONOMIC JUSTIFICATION FOR TWO TIER SYSTEM IN THOSE TRADES. HE POINTED OUT THAT FMC, AS QUASI-JUDICIAL BODY, MUST CONSIDER EACH OF THESE SEPARATELY.

3. IN RESPONSE AVERIN STATED THAT BALTIC SHIPPING COMPANY HAD GOT INTO CONTACT WITH THE ATLANTIC CONFERENCE ABOUT MEMBERSHIP, WHICH THE SOVIET SIDE ASSUMED WOULD BE EFFECTIVE AS OF JANUARY 1, 1977. IN VIEW OF THE SITUATION IN THE US, HOWEVER, THE FMC HAD WITHHELD ITS APPROVAL. THE BALTIC SHIPPING COMPANY, HOWEVER, WAS HOLDING TO THIS AGREEMENT AS ONE THAT MIGHT YET BE APPROVED. AVERIN SAID HIS MINISTRY WANTED TO KNOW THE FMC ATTITUDE ON THIS POINT, SINCE IT WAS ADVISING THE BALTIC COMPANY NOT TO TAKE ANY STEPS WHICH COULD BE INTERPRETED AS TERMINATING THE AGREEMENT ON MEMBERSHIP. THE COMPANY HAD HIGHER RATES IN FORCE UNTIL APRIL 1, BUT THE SITUATION IS SOMEWHAT DOUBTFUL, AND THE BALTIC SHIPPING COMPANY CANNOT YET SAY WHETHER IT IS A MEMBER OF THE CONFERENCE OR AN OUTSIDER.

4. AVERIN ALSO STATED THAT THE FAR EAST SHIPPING COMPANY (FESCO) HAD ALREADY FILED WITH THE FMC SOME TARIFFS UP TO THE LEVELS OF THOSE CHARGED BY INDEPENDENT CARRIERS. THOSE NOT YET RAISED TO AGREED ON RATES SHOULD BE FILED BY OUTSET OF THE COMING WEEK, HE SAID.

5. BAKKE NOTED THAT DUE PROCESS APPLIES TO SITUATION AND THAT FMC MUST TAKE THE ADMINISTRATIVE STEP NECESSARY TO LIMITED OFFICIAL USE

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DEVELOP A FULL RECORD OF FACT. SIMPLE APPROVAL OF THE APPLICATION BY THE FMC WOULD PROBABLY HAVE LED THE DEPARTMENT OF JUSTICE TO SEEK A RESTRAINING COURT ORDER. HE HOPED AVERIN WOULD NOT VIEW THIS AS A HOSTILE ACT. AVERIN RESPONDED: "CERTAINLY NOT." HE SAID HE MERELY WISHED TO MENTION THE "COMMERCIAL CONSEQUENCES."

6. BAKKE OBSERVED THAT SINCE HIS AGREEMENT WITH MR. AVERIN IN LENINGRAD LAST YEAR, THERE HAS BEEN A SIGNIFICANT INCREASE IN SOVIET ACTIVITIES IN THE GULF OF MEXICO, INCLUDING CONSIDERABLE MINI-BRIDGING. THERE WAS NO OBJECTION TO COMPETITION BUT A CERTAIN AMOUNT OF APPREHENSION NEVERTHELESS EXISTED. PERHAPS THE APPLICABILITY OF THE LENINGRAD AGREEMENT COULD BE EXTENDED. HE SUGGESTED THAT THE SAME "GROUND RULES" (AVERIN INTERJECTED: "UNDERSTANDING") BE EXTENDED TO THE GULF AS APPLIED TO THE ATLANTIC AND PACIFIC UNDER THE LENINGRAD AGREEMENT. AVERIN INDICATED WILLINGNESS TO EXTEND THE LENINGRAD AGREEMENT TO THE GULF, EITHER THROUGH AN EXCHANGE OF LETTERS OR SOME OTHER MEANS. HE INQUIRED IF

THERE WAS A CONFERENCE FROM THE GULF OF MEXICO TO THE MIDDLE EAST AND WAS TOLD BY BAKKE THAT A RATE AGREEMENT, NOT A CONFERENCE, EXISTS. AVERIN THEN STATED HE WAS WILLING TO EXTEND THE AGREEMENT IN THE SAME WAS AS FIXED IN LENINGRAD LAST JULY.

7. TURNING TO PACIFIC TRADE, AVERIN SAID THAT FESCO STILL FEELS ITS SERVICES ARE NOT ADEQUATE TO THOSE PROVIDED BY ESTABLISHED OPERATING LINES, MEMBERS OF THE CONFERENCE. IN CASE IT GOT THE SAME MODERN EQUIPMENT RECENTLY ORDERED BY THE BARBER BLUE SEA LINE, HOWEVER, IT COULD THEN JOIN THE CONFERENCE.

8. DURING SESSION WITH DEPUTY MINISTER TIKHONOV, LATTER COMPLAINED THAT THERE HAD YET BEEN NO FRUITFUL RESULTS AND VERY LITTLE ACTION, PARTICULARLY WITH RESPECT TO THE PACIFIC TRADE. IF HIS INFORMATION WAS CORRECT, TIKHONOV LIMITED OFFICIAL USE

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SAID, ALL THE SOVIET COMPANIES HAD TRIED TO MEET THEIR OBLIGATIONS, BUT TO NO AVAIL AS YET. BAKKE SAID HE SHARED TIKHONOV'S CONCERN BUT WAS SOMEWHAT MORE OPTIMISTIC ONCE THE FACTS HAD BEEN FULLY ESTABLISHED. HE NOTED THAT SEN. INOUE AND REP. MURPHY, IN CHARGE OF THE RESPECTIVE MERCHANT MARINE SUB-COMMITTEES IN THE TWO HOUSES OF CONGRESS, WERE BECOMING IMPATIENT AND FELT THAT THERE HAD BEEN MORE TANGIBLE CONCESSIONS BY THE US THAN TANGIBLE PROGRESS ON THE SOVIET SIDE. THIS EXPLAINED THE URGENCY OF HIS OWN VISIT.

9. TIKHONOV SAID HE TOO WAS OPTIMISTIC AND ONLY REGRETTED THAT THE TWO-TIER RATE AGREEMENT HAD NOT YET BEEN APPROVED. HE EMPHASIZED THAT HIS MINISTRY DEALS ONLY WITH GENERAL PRINCIPLES, BUT THE COMPANIES THEMSELVES MUST RESOLVE COMMERCIAL CONDITIONS EVERY DAY IN THE MARKET. BAKKE COMMENTED THAT HIS ROLE WAS TO SEE THAT THE ATMOSPHERE AT THE BARGAINING TABLE WAS APPROPRIATE AND THAT COMMON SENSE WAS EMPLOYED IN SEEKING SOLUTIONS.

10. TIKHONOV THEN DIGRESSED INTO A PASSIONATE DEFENSE OF THE USSR'S DEVELOPMENT OF ITS MERCHANT FLEET AS JUSTIFIED BY THE SIZE OF THE COUNTRY, THE VOLUME OF ITS FOREIGN TRADE AND THE HISTORICAL IMPORTANCE OF RUSSIAN SHIPPING OVER SEVERAL HUNDRED YEARS. BAKKE COMMENTED THAT HE WAS NOT A PHILOSOPHER BUT THAT THE US WAS CONCERNED ABOUT THE PRACTICAL SITUATION FOR TRADE WHICH THE BUILDUP OF THE SOVIET MERCHANT MARINE INFLUENCED. BAKKE DISTINGUISHED BETWEEN THE FMC AND THE MARITIME ADMINISTRATION, STATING THAT WE MUST LOOK TO CONGRESS IN DISCUSSING PROBLEMS IN THE LINER SHIPPING AREA BECAUSE THAT IS WHERE THE RESOLUTION OF PROBLEMS MUST

OCCUR IF COMMERCIAL SOLUTIONS CANNOT BE FOUND.

11. THERE WAS NO SIGNIFICANT DISCUSSION OF SUBSTANCE AT THE LUNCH, AFTER WHICH DISCUSSION WAS ADJOURNED UNTIL APRIL 8.

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## Message Attributes

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